

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 INRE-00 NSCE-00 USIE-00

IO-14 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07

PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02

TRSE-00 PRS-01 SP-03 OMB-01 SWF-02 FEA-02 DRC-01

SSO-00 /190 W

----- 021210

O R 051658Z JUL 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 0597

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 01 OF 02 PARIS 16444

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: ECONOMICS MINISTER FOURCADE ON DOMESTIC AND  
INTERNATIONAL ECONOMIC PROBLEMS

1. SUMMARY. IN INTERVIEW WITH ECONOMIC AND BUSINESS  
MONTHLY L'EXPANSION FOR JULY/AUGUST, ECONOMICS AND  
FINANCE MINISTER FOURCADE MADE WIDE-RANGING COMMENTS  
ON CURRENT DOMESTIC AND INTERNATIONAL ECONOMIC PROBLEMS.  
THUS HE SAID THAT "FOR THE MOMENT" FRANC WOULD NOT  
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RETURN TO EUROPEAN MONETARY "SNAKE," AND EXPRESSED

BELIEF THAT U.S. HAS TAKEN STEPS TO LIMIT FLUCTUATIONS OF DOLLAR TO MUCH NARROWER RANGE THAN PREVIOUSLY. ON DOMESTIC SIDE, HE PREDICTED THAT WHEN PERFECTED, GOVERNMENT'S PROPOSED ANTI-INFLATION TAX COULD IN LARGE PART REPLACE PRICE CONTROLS AND QUANTITATIVE CREDIT RESTRICTIONS AS TOOLS TO CURB INFLATION. HE FORESAW FRENCH PRODUCTION GROWING AT 5 PERCENT IN 1975 AND CONSUMPTION A LITTLE LESS RAPIDLY. END SUMMARY.

2. INTERNATIONAL MONETARY MATTERS - IN REPLY TO SERIES OF QUESTIONS, FOURCADE MADE FOLLOWING COMMENTS: (A) "FOR THE MOMENT" FRENCH WILL CERTAINLY NOT BRING FRANC BACK INTO EUROPEAN "SNAKE." (B) HOWEVER, OVER NEXT YEAR THEY WILL BE TRYING, WITH THEIR PRINCIPAL PARTNERS, TO RETURN TO "MORE PRECISE AND MUCH LESS DANGEROUS MECHANISMS THAN THE PRESENT ONES." (C) MINISTER OPPOSES CREATION OF "GREEN FRANC" THAT COULD BE DEVALUED AS MEANS OF BOOSTING FRENCH FARM INCOME. "CONSTANT DEVALUATION OF FRANC IS NOT A POLICY," AND PROBLEM OF FARM PRICES AND INCOMES SHOULD NOT BE DEALT WITH BY EXCHANGE RATE MANIPULATIONS. (D) IN PERIOD IMMEDIATELY AHEAD WORLD WILL BE SEEKING "MORE FLEXIBLE MECHANISMS" IN INTERNATIONAL MONETARY FIELD, BUT THERE WILL BE NO COMPREHENSIVE REFORM. (E) U.S. MADE GREAT STEP FORWARD ON GOLD PROBLEM BY ACCEPTING IDEA THAT CENTRAL BANKS MIGHT POSSIBLY RESUME GOLD TRANSFERS. (F) FRANCE WOULD SELL GOLD TO PAY FOR OIL IMPORTS IF NECESSARY. HOWEVER, THERE IS NO NEED TO DO SO. GOVERNMENT HAS NOT YET DRAWN AT ALL ON EXTERNAL BORROWING WHICH IT ARRANGED EARLIER THIS YEAR. (G) MINISTER BELIEVES U.S. HAS TAKEN STEPS TO LIMIT FLUCTUATIONS OF DOLLAR TO MUCH NARROWER RANGE THAN PREVIOUSLY. HE CALLS THIS VERY IMPORTANT CHANGE IN U.S. BEHAVIOR, ALTHOUGH NOT MADE PUBLIC.

3. PROPOSED ANTI-INFLATION TAX (SEE PARA 4A(6) PARIS 14374). FOURCADE INDICATED GENERAL OUTLINES OF MECHANISM THAT GOVT HAS IN MIND. PERIODICALLY GOVT WOULD INDICATE WHAT IT REGARDED AS NORMAL RATE OF GROWTH DURING GIVEN PERIOD. IF INCREASE IN VALUE ADDED BY UNCLASSIFIED

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/190 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 0598

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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TAXPAYING FIRM FROM ONE YEAR TO NEXT EXCEEDED THAT  
NORM, EXCESS WOULD BE SUBJECT TO TAX AT STEEPLY  
PROGRESSIVE RATE UP TO 100 PERCENT, UNLESS FIRM COULD  
JUSTIFY EXCESS BY SUCH FACTORS AS LARGER WORK FORCE  
OR LONGER WORK WEEK. FOURCADE DESCRIBED TAX AS NOT  
AFFECTING INVESTMENT, AS NEUTRAL OR EVEN FAVORABLE  
AS REGARDS EXPORTS, AND AS NOT THREATENING EMPLOYMENT.  
HE PREDICTED THAT ONCE TAX WAS PERFECTED, IT COULD  
IN LARGE PART REPLACE PRICE CONTROLS AND QUANTITATIVE  
CREDIT RESTRICTIONS AS POLICY TOOLS TO FIGHT INFLATION.  
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4. REDUCTION OF VALUE ADDED TAX RATES - FOURCADE  
LAELED THIS AS INAPPROPRIATE IN PRESENT HIGHLY INFLA-  
TIONARY ATMOSPHERE. GOVERNMENT HAS NO SUCH PLANS FOR  
THIS YEAR.

5. ECONOMIC PROJECTIONS - CONSUMER PRICE INDEX WILL  
RISE BY ABOUT 8 PERCENT IN FIRST HALF 1974 AND 6 PER-  
CENT IN SECOND HALF. IN 1975 PRODUCTION SHOULD GROW  
IN NEIGHBORHOOD OF 5 PERCENT, WITH CONSUMPTION RISING  
A LITTLE LESS RAPIDLY THAN PRODUCTION.  
IRWIN

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## Message Attributes

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**TAGS:** EFIN, FR, (FOURCADE, JEAN-PIERRE)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005